

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6086

BILL NUMBER: SB 331

NOTE PREPARED: Nov 17, 2004

BILL AMENDED:

SUBJECT: State Police and DNR Enforcement Officer Salary Matrix.

FIRST AUTHOR: Sen. Craycraft

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the salary matrix based on rank and years of services that is established for State Police employees must include 15 increments above the basic salary. The bill provides that the salary matrix based on rank and years of service that is established for law enforcement officers of the Department of Natural Resources (DNR) must include 15 increments above the basic salary. It provides that the highest salary set for a rank of State Police employees must be equivalent to the average of the highest salaries paid to police employees of equivalent rank in Illinois, Michigan, Kentucky, and Ohio. (By law, based on rank and years of service, the salaries of DNR law enforcement officers must be equal to the salaries of State Police employees.) The bill also appropriates to the State Police Department and the DNR an amount sufficient to fund each department's salary matrix for one year, with 50% to be appropriated from the state General Fund and 50% to be appropriated from the Motor Vehicle Highway Account.

Effective Date: July 1, 2005.

Summary of Net State Impact: Based on 2004 data, the total first-year net fiscal impact could range from \$19.3 M to \$24.2 M in increased expenditures, including benefits.

Explanation of State Expenditures: The ultimate fiscal impact of this bill is dependent upon an appropriation and the maximum salaries contained within a new 15-year matrix. Department ranks were compared to similar ranks in a 2004 survey of Illinois, Kentucky, Michigan, and Ohio in determining an average of top salaries. (This fiscal analysis is based on estimated percentage increases occurring in each year of the new matrix.)

Two methods, explained below, were used to estimate a potential impact. The total first-year increase in

salaries could range from \$20.3 M to \$25.5 M, including benefits. The funds affected would be the state General Fund and the Motor Vehicle Highway Account. (The state General Fund and the Motor Vehicle Highway Account currently support the State Police. The Department of Natural Resources' Division of Law Enforcement is currently supported by the Fish and Wildlife Fund.)

Background Information: Based on a 2004 survey, the following State Police salary information was gathered. (Note: No state surveyed uses the rank of corporal; Indiana has approximately 35 corporals out of a total of approximately 1,315 officers, including DNR conservation officers and State Police officers.)

States' Maximum Salaries Based on 2004 Data:

Ranks	Indiana	Ohio	Kentucky	Illinois	Michigan	4-State Average	% Above Indiana
Trooper	\$43,800	\$49,629	\$66,264	\$78,792	\$50,398	\$61,271	39.89%
Corporal	\$45,594					\$64,324	41.08%
Sergeant	\$48,246	\$58,490	\$70,884	\$86,988	\$58,198	\$68,640	42.27%
First Sergeant	\$49,962	\$66,310		\$86,856	\$66,643	\$73,270	46.65%
Lieutenant	\$51,236	\$72,925	\$75,264	\$92,892	\$72,113	\$78,299	52.82%
Captain	\$53,082	\$80,434	\$82,572	\$99,468	\$82,784	\$86,315	62.61%
Major	\$56,410	\$88,566	\$81,612	\$102,924	\$92,289	\$91,348	61.94%
Lt. Colonel	\$69,592	\$97,594	\$96,852	\$110,124		\$101,532	45.88%
Colonel	\$76,014	\$104,832	\$85,932	\$117,828	\$112,486	\$105,270	38.49%

Among the states surveyed, the average maximum salaries for all ranks were approximately 48% over comparable Indiana ranks. (To estimate a corporal average, the average maximum of troopers and sergeants salaries was used. Also, Kentucky maximum salaries have no fixed limit, and maximum salaries may be affected both by tenure and political appointment.) Additional details regarding the survey and salary methods are available upon request from the Legislative Services Agency.

Salary Costs and Benefits Estimate: The current total salary expenditure for State Police and conservation officers is approximately \$58.3 M for approximately 1,318 officers, 861 of whom have 11 years or more of service under the present 10-year matrix. Under a new 15-year matrix, the maximum salary (calculated from the maximum average of other states' salaries) could be applied to year 15; and in the preceding years, annual increases could be spread evenly to reach the maximum. (Annual increases could also be based on weighted methodologies.)

The first-year fiscal impact of changing to a 15-year matrix is based on two scenarios in this analysis: (1) a "flat rate" increase where the salary differential is divided evenly over year 2 to year 15; and (2) a weighted increase where 90% of the maximum salary differential is evenly applied over years 2 through 7, and the remaining 10% is evenly applied over years 8 through 15 (this methodology is similar to what is used in the

current 10-year matrix).

Flat Rate Salary Increase: The estimated annual salary expenditure for a new 15-year matrix, using the same salary bonus each year, would total approximately \$73.6 M. The increase above the current salary/benefit expenditure, after netting off additional Income and Sales Tax revenue, is approximately \$19.3 M, including benefits. (See *Explanation of State Revenues*.)

Weighted Salary Increase: Using the current matrix structure for a new 15-year matrix, the estimated salary expenditure would total approximately \$77.5 M. The annual increase above the current salary expenditure, after netting off additional Income and Sales Tax revenue, is approximately \$24.2 M, including benefits.

Explanation of State Revenues: An increase in State Police and DNR conservation officer salaries would also increase collection of the Income and Sales Taxes. Assuming that the additional income would be taxed at the current income tax rate of 3.4% and half of the income would generate additional sales tax revenue, the state could receive approximately \$1 M to \$1.3 M in additional revenue. This estimate is based on the 6% sales tax rate effective December 1, 2003.

Income tax revenue is deposited into the state General Fund and the Property Tax Replacement Fund. Gross Retail (Sales) and Use taxes are deposited into the state General Fund (49.129%), the Property Tax Replacement Fund (50%), the Public Mass Transportation Fund (0.635%), the Industrial Rail Service Fund (0.033%), and the Commuter Rail Service Fund (0.14%). The distributions provided in this list are reflective of the change in the Sales and Use Tax distributions effective January 1, 2003.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local Option Income Tax (LOIT) counties could receive a minimal increase in LOIT revenues.

State Agencies Affected: State Police and the Department of Natural Resources.

Local Agencies Affected: LOIT Counties.

Information Sources: Steve Hillman, Indiana State Police, 232-8204; Peggy Belli, Ohio State Police, (614) 752-2197; Kentucky State Police, (502) 695-6360; Terri Dietrich, Illinois State Police, (217) 785-1327; Phyllis Holton, Michigan State Police, (517) 332-2521.

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